

Training program for high school graduates and college students. A nonprofit organization that was formed to provide high school graduates and college students with work experience, for which they receive no compensation, in selected trades or professions, and that is financed by tuition and contributions from the general public, is an organization operated exclusively for charitable and educational purposes and qualifies for exemption under section 501(c)(3) of the Code.

Advice has been requested whether the nonprofit organization described below, which otherwise qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954, is operated exclusively for charitable or educational purposes.

The purpose of the organization is to help recent high school graduates and college students become useful and productive members of society. To help these individuals, the organization provides actual work experiences outside the normal school setting through a 30-week training program. The organization selects students to participate in its program on the basis of their personal histories and their willingness to participate in the program. Once accepted into the program, students select five professions or trades out of the 25 offered. They then work for 40 hours a week for six weeks at each trade or profession chosen.

The organization contracts with skilled craftsmen and professional people to provide training on a one-to-one basis. In this way students not only learn the basic skills or requirements of a trade or profession under the direction of an expert, but are also given firsthand knowledge of various occupations prior to their making a career choice.

Although many of these skilled craftsmen and professional people volunteer their time, the organization offers a per-student stipend to them to pay for the training. The students themselves are not paid, either by the organization or the skilled craftsmen and professional people. Rather, they pay tuition, which covers the cost of room and board, weekly seminars, individual counseling, and the on-the-job training.

The organization was formed by a group of former school administrators, teachers, and guidance counselors. Its initial funding came from their contributions. Present funding consists of students' tuition and contributions from the general public. These contributions allow the organization to accept students who cannot afford to pay the full tuition.

Section 501(c)(3) of the Code provides for exemption from Federal income tax of organizations organized and operated exclusively for charitable or educational purposes.

Section 1.501(c)(3)-1(d) of the Income Tax Regulations includes within the definition of the term 'charitable' the advancement of education. It also includes within the definition of the term 'educational' the instruction or training of the individual for the purpose of improving or developing his capabilities.

Rev. Rul. 70-584, 1970-2 C.B. 114, states that a nonprofit organization that recruits college students for internship programs providing work experience in various phases of government related to their studies qualifies for exemption under section 501(c)(3) of the Code.

The organization provides the students with actual exposure to various professions and trades through work experiences. Its program not only advances education by familiarizing students firsthand with various career fields, but also trains individuals for the purpose of developing their capabilities.

Accordingly, the organization is operated exclusively for charitable and educational purposes and qualifies for exemption from Federal income tax under section 501(c)(3) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1023, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See sections 1.501(a)-1 and 1.508-1(a) of the regulations.